

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

COLDWATER HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Coldwater Housing Commission
60 S. Clay Street
Coldwater, Michigan 49036

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Coldwater Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coldwater Housing Commission as of March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 24, 2005 on my consideration of the Coldwater Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

June 24, 2005

This discussion and analysis of the Coldwater Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 62,038	\$ 52,469
Housing Choice Voucher Program	80,078	80,838
Capital Projects Funds	134,543	114,904

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 144,635	\$ 124,395	20,240
Accounts Receivable	32,898	20,829	12,069
Investments			
(Restricted/Unrestricted)	96,530	96,530	
Prepaid Expenses	7,625	17,269	9,644
Fixed Assets, prior to			
Depreciation	3,741,067	3,671,806	69,261
Total Liabilities	56,151	55,347	804
Net Assets	1,747,039	1,819,705	(72,666)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	271,257	266,845	4,412
HUD Grants	276,659	248,211	28,447
Other Revenue	15,603	19,204	(3,601)
Expenses:			
Administrative	177,667	189,444	(11,777)
Tenant Services	272	565	(293)
Utilities	75,030	62,916	12,114
Maintenance & Operations	116,682	107,713	8,969
General Expenses	29,617	39,595	(9,978)
Depreciation Expense	167,788	168,358	(570)
Housing Assistance Payments	69,074	68,607	476

The Commission's cash position increased during the year, our accounts receivable increased; our fixed assets before depreciation increased, total liabilities remained unchanged, and Net Assets decreased. HUD grants increased, other expenses had unremarkable dollar changes.

Our cash position increased as a result of a net profit of \$ 95,177 before depreciation; our liabilities remained unchanged, our net assets decreased in proportion to the net loss after depreciation of \$ 72,611.

HUD grants are a result of requisitioning eligible funds; our capital fund requisitions increased \$ 19,639. HUD grants for the Low Rent Program are a result of calculations under the Performance Funding System; our subsidy increased \$ 9,569; Housing Choice Vouchers remained unchanged.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	100	100
Housing Choice Vouchers	25	25

General Fund Budgetary Highlights

The Commission approved an operating budget on November 10, 2003 for the fiscal year ending March 31, 2005; the budget was submitted early due to a request from HUD, normally our fiscal year budget would be approved 90 days before the year end, but due to funding difficulties HUD requested our fiscal 2005 budget be completed early. We had no occasion to amend the original budget.

The following represents the significant changes from the original budget to the actual results:

	<u>Actual Results</u>	<u>Original Budget</u>	<u>Difference</u>
Total Income	\$ 563,519	\$ 565,339	\$ (1,820)
Administrative Expenses	177,667	234,430	(56,763)
Utilities	75,030	66,360	8,670
Ordinary Maintenance & Operations	116,682	15,400	101,282
General Expenses	167,788	49,250	118,538
Operational Transfers	61,568	199,899	(138,331)
Net Income (Loss)	(72,611)	0	72,611

The original budget included wages for both administrative and maintenance under administrative expenses; therefore, the budget is over actual by the amount of the maintenance wages which were \$ 42,030; ordinary maintenance and general expenses were offset with the budgeted operational transfer from the capital fund.

Entity Wide Capital Assets

The fixed assets increased \$ 69,261 prior to depreciation. The additions included site improvements, kitchen cabinet replacements, and upgrades to our security system.

Commission's Position

The Commission's proposed improvements include a canopy for the main entrance and energy saving updates; we anticipate the cost will be covered by our capital fund program. We are in the process of investigating the possibilities of converting several units to assisted living units; the ultimate decision will depend on State sponsored Medicare Waiver payments and other funding that is yet to be determined. However, we recognize the need for such units and will continue to research the possibilities.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Cathy Gordon, Executive Director
60 Clay Street
Coldwater, Michigan 49036

COLDWATER HOUSING COMMISSION
Combined Statement of Net Assets
March 31, 2005

ASSETS

C-3058

CURRENT ASSETS

Cash	\$	144,635	
Accounts Receivable (net of allowance for doubtful accounts \$ 927)		1,057	
Accounts Receivable- Other		31,841	
Investments		96,530	
Prepaid Expenses & Inventories		7,625	
Inter Program due from		<u>46,548</u>	
 Total Current Assets	\$		328,236

NON CURRENT ASSETS

Land	\$	76,598	
Buildings		1,463,281	
Furniture, Equipment- Dwellings		269	
Furniture, Equipment- Administrative		82,026	
Construction in Progress		2,118,893	
Accumulated Depreciation		<u>(2,219,565)</u>	
 Total Non Current Assets			<u>1,521,502</u>

<u>TOTAL ASSETS</u>	\$	<u>1,849,738</u>
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COLDWATER HOUSING COMMISSION
Combined Statements of Net Assets
March 31, 2005

LIABILITIES

C-3058

CURRENT LIABILITIES

Accounts Payable	\$	6,652	
Accrued Compensated Absences		18,200	
Accounts Payable-HUD		776	
Accounts Payable-Other Governments		19,623	
Tenants Security Deposit		10,580	
Accrued Liabilities- Other		320	
Inter-Program due to		<u>46,548</u>	
<u>Total Current Liabilities</u>	\$		102,699

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,439,281	
Unrestricted Net Assets		<u>307,758</u>	
<u>Total Net Assets</u>			<u>1,747,039</u>

<u>TOTAL LIABILITIES & NET ASSETS</u>	\$	<u>1,849,738</u>
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The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Combined Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended March 31, 2005

REVENUE

Tenant Rental Revenue	\$ 269,241	
Tenant Revenue-Other	2,016	
HUD Grants	276,659	
Interest Income	1,539	
Other Income	<u>14,064</u>	
<u>Total Revenue</u>		\$ 563,519

EXPENSES

Administrative	\$ 177,667	
Tenant Services	272	
Utility Expenses	75,030	
Ordinary Maintenance	116,682	
General Expenses	<u>29,617</u>	
<u>Total Expenses</u>		<u>399,268</u>
<u>Excess (Deficiency) of Revenues over Expenses</u>		\$ 164,251

OTHER SOURCES & (USES)

Housing Assistance Payments	\$ (69,074)	
Depreciation Expenses	<u>(167,788)</u>	
<u>Total Other Sources (Uses)</u>		<u>(236,862)</u>
<u>Change in Net Assets</u>		\$ (72,611)
Total Net Assets- Beginning		<u>1,819,650</u>
Total Net Assets- Ending		\$ <u>1,747,039</u>

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 272,917
Payments to Suppliers	(331,602)
Payments to Employees	(140,076)
HUD Grants	276,659
Other Receipts (Payments)	<u>15,603</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>93,501</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(69,261)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 24,240
Balance- Beginning of Year	<u>120,395</u>
Balance- End of Year	\$ <u>144,635</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (72,611)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	167,788
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(12,069)
Prepaid Expenses	9,644
Interfund Due From	(23,154)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	510
Compensated Absences	3,941
Accounts Payable- Other Governments	(7,570)
Security Deposits	3,868
Interfund Due To	<u>23,154</u>
Net Cash Provided by Operating Activities	\$ <u>93,501</u>

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Notes to Financial Statements
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Coldwater Housing Commission, Coldwater, Michigan, (Commission) was created by an ordinance of Coldwater, Michigan. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 56-001	Low rent program	100 units
MI 33V056001	Section 8 Vouchers	25 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, a component unit does exist which is reported.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with the Governmental Accounting Standards Board (GASB) pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

Notes to Financial Statements- continued

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Notes to Financial Statements- continued

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 71,939
Petty Cash	200
Saving Account	64,305
Cash Equivalents	<u>8,191</u>
Financial Statement Total	\$ <u>144,635</u>

Investments:

Certificates of Deposit	\$ 96,530
Savings Account	8,191
Less Cash Equivalents, above	<u>(8,191)</u>
Financial Statement Total	\$ <u>96,530</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 71,939	\$	\$	\$ 71,939	\$ 71,939
Petty Cash	200			200	200
Savings Accounts	<u>72,496</u>			<u>72,496</u>	<u>72,496</u>
Total Cash	\$ <u>144,635</u>	\$	\$	\$ <u>144,635</u>	\$ <u>144,635</u>
Investments:					
Certificates of Deposit	\$ <u>96,530</u>	\$	\$	\$ <u>96,530</u>	\$ <u>96,530</u>

Notes to Financial Statements- continued

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 76,598	\$	\$	\$ 76,598
Buildings	1,463,281			1,463,281
Furniture & Equipment-Admin	66,207	16,088		82,295
Leasehold Improvements	<u>2,065,720</u>	<u>53,173</u>		<u>2,118,893</u>
	\$ 3,671,806	\$ 69,261	\$	\$ 3,741,067
Less Accumulated Depreciation	<u>2,051,777</u>	<u>167,788</u>		<u>2,219,565</u>
	<u>\$ 1,620,029</u>	<u>\$ (98,527)</u>	<u>\$</u>	<u>\$ 1,521,502</u>

Note 4: Pension Plan

The Commission participates in the City of Coldwater retirement plan. All eligible employees participate in a deferred compensation plan. Statistical information and funding data are available in a separate audit report prepared by Coldwater.

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 6: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 5,692,690
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Coldwater Housing Commission

31-Mar-05

MI056

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Component Unit	TOTAL
Line Item #						
	ASSETS:					
	CURRENT ASSETS:					
	Cash:					
111	Cash - unrestricted	56,301	24,029	-	64,305	144,635
112	Cash - restricted - modernization and development	-				-
113	Cash - other restricted					-
114	Cash - tenant security deposits					-
100	Total cash	56,301	24,029	-	64,305	144,635
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects					-
122	Accounts receivable - HUD other projects	-		23,658		23,658
124	Accounts receivable - other government					-
125	Accounts receivable - miscellaneous	8,042	141			8,183
126	Accounts receivable- tenants - dwelling rents	1,984				1,984
126.1	Allowance for doubtful accounts - dwelling rents	(927)				(927)
126.2	Allowance for doubtful accounts - other					-
127	Notes and mortgages receivable- current					-
128	Fraud recovery					-
128.1	Allowance for doubtful accounts - fraud					-
129	Accrued interest receivable					-
120	Total receivables, net of allowances for doubtful accounts	9,099	141	23,658	-	32,898
	Current investments					-
131	Investments - unrestricted	96,530				96,530
132	Investments - restricted					-
142	Prepaid expenses and other assets	5,225				5,225
143	Inventories	2,400				2,400
143.1	Allowance for obsolete inventories					-
144	Interprogram - due from	46,548	-	-		46,548
146	Amounts to be provided					-
150	TOTAL CURRENT ASSETS	216,103	24,170	23,658	64,305	328,236
	NONCURRENT ASSETS:					
	Fixed assets:					
161	Land	76,598				76,598
162	Buildings	1,463,281				1,463,281
163	Furniture, equipment & machinery - dwellings	269				269
164	Furniture, equipment & machinery - administration	62,623	995	18,408		82,026
165	Leasehold improvements	2,052,791		66,102	-	2,118,893
166	Accumulated depreciation	(2,216,281)	(995)	(2,289)		(2,219,565)
160	Total fixed assets, net of accumulated depreciation	1,439,281	-	82,221	-	1,521,502
171	Notes and mortgages receivable - non-current					-
172	Notes and mortgages receivable-non-current-past due					-
174	Other assets					-
175	Undistributed debits					-
176	Investment in joint ventures					-
180	TOTAL NONCURRENT ASSETS	1,439,281	-	82,221	-	1,521,502
190	TOTAL ASSETS	1,655,384	24,170	105,879	64,305	1,849,738

	LIABILITIES AND EQUITY					
	LIABILITIES:					
	CURRENT LIABILITIES					
311	Bank overdraft					-
312	Accounts payable ≤ 90 days	6,652			-	6,652
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	-				-
322	Accrued compensated absences	18,200				18,200
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs		776			776
332	Accounts Payable - PHA Projects					
333	Accounts payable - other government	19,623	-	-		19,623
341	Tenant security deposits	10,580				10,580
342	Deferred revenues	-				-
343	Current portion of Long-Term debt - capital projects					-
344	Current portion of Long-Term debt - operating borrowings					-
345	Other current liabilities	-				-
346	Accrued liabilities - other	320	-			320
347	Inter-program - due to	-	22,890	23,658	-	46,548
310	TOTAL CURRENT LIABILITIES	55,375	23,666	23,658	-	102,699
	NONCURRENT LIABILITIES					
351	Long-term debt, net of current- capital projects					-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other	-				-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-
300	TOTAL LIABILITIES	55,375	23,666	23,658	-	102,699
	EQUITY:					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed	-				-
504	Net HUD PHA contributions	-			-	-
505	Other HUD contributions					-
508	Net Assets invested in Capital Assets	1,439,281				1,439,281
508	Total contributed capital	1,439,281	-	-	-	1,439,281
	Reserved fund balance:					-
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-	-	-
512	Undesignated fund balance/retained earnings	160,728	504	82,221	64,305	307,758
513	TOTAL EQUITY	1,600,009	504	82,221	64,305	1,747,039
600	TOTAL LIABILITIES AND EQUITY	1,655,384	24,170	105,879	64,305	1,849,738

Proof of concept

- - - - -

Depreciation Add Back

Coldwater Housing Commission

31-Mar-05

MI056

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Component Unit	TOTAL
Line Item #				-		
	REVENUE:	-	-			
703	Net tenant rental revenue	269,241				269,241
704	Tenant revenue - other	2,016				2,016
705	Total tenant revenue	271,257	-	-	-	271,257
706	HUD PHA grants	62,038	80,078	134,543	-	276,659
708	Other government grants					-
711	Investment income - unrestricted	1,128	23	-	388	1,539
712	Mortgage interest income					-
714	Fraud recovery					-
715	Other revenue	13,714	-	-		13,714
716	Gain or loss on the sale of fixed assets	350				350
720	Investment income - restricted					-
700	TOTAL REVENUE	348,487	80,101	134,543	388	563,519
	EXPENSES:					
	Administrative					
911	Administrative salaries	88,761	9,285			98,046
912	Auditing fees	2,700				2,700
913	Outside management fees					-
914	Compensated absences	3,940				3,940
915	Employee benefit contributions- administrative	38,517	4,338			42,855
916	Other operating- administrative	21,106	3,399	5,604	17	30,126
	Tenant services					
921	Tenant services - salaries					-
922	Relocation costs	-				-
923	Employee benefit contributions- tenant services					-
924	Tenant services - other	272				272
	Utilities					
931	Water	13,397				13,397
932	Electricity	30,254				30,254
933	Gas	29,366				29,366
934	Fuel	638				638
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	1,375				1,375
	Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	42,030				42,030
942	Ordinary maintenance and operations - materials & other	7,581				7,581
943	Ordinary maintenance and operations - contract costs	52,646				52,646
945	Employee benefit contributions- ordinary maintenance	14,425				14,425
	Protective services					
951	Protective services - labor					-

952	Protective services- other contract costs					-
953	Protective services - other					-
955	Employee benefit contributions- protective services					-
	General expenses					
961	Insurance premiums	18,913				18,913
962	Other General Expenses	207				207
963	Payments in lieu of taxes	8,597				8,597
964	Bad debt - tenant rents	1,900				1,900
965	Bad debt- mortgages					-
966	Bad debt - other					-
967	Interest expense					-
968	Severance expense	-				-
969	TOTAL OPERATING EXPENSES	376,625	17,022	5,604	17	399,268
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(28,138)	63,079	128,939	371	164,251
971	Extraordinary maintenance	-				-
972	Casualty losses - non-capitalized	-				-
973	Housing assistance payments		69,074	-		69,074
974	Depreciation expense	165,617		2,171		167,788
975	Fraud losses					-
976	Capital outlays- governmental funds	-			-	-
977	Debt principal payment- governmental funds					-
978	Dwelling units rent expense					-
900	TOTAL EXPENSES	542,242	86,096	7,775	17	636,130
	OTHER FINANCING SOURCES (USES)					
1001	Operating transfers in (out)	59,678		(59,678)		-
1002	Operating transfers out					-
1003	Operating transfers from/to primary government					-
1004	Operating transfers from/to component unit	1,888			(1,888)	-
1005	Proceeds from notes, loans and bonds					-
1006	Proceeds from property sales					-
1010	TOTAL OTHER FINANCING SOURCES (USES)	61,566	-	(59,678)	(1,888)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)	(132,189)	(5,995)	67,090	(1,517)	(72,611)
MEMO account information						
1101	Capital contributions					
1102	Debt principal payments- enterprise funds					-
1103	Beginning equity	-				-
1104	Prior period adjustments and equity transfers					-
1105	Changes in compensated absence liability balance (in the GLTDAG)					-
1106	Changes in contingent liability balance (in the GLTDAG)					-
1107	Changes in unrecognized pension transition liability (in the GLTDAG)					-
1108	Changes in special term/severance benefits liability (in the GLTDAG)					-
1109	Changes in allowance for doubtful accounts - dwelling rents					-
1110	Changes in allowance for doubtful accounts - other					-
1112	Depreciation "add back"					-
1113	Maximum annual contributions commitment (per ACC)					
1114	Prorata maximum annual contributions applicable to a period of less than twelve months					
1115	Contingency reserve, ACC program reserve					
1116	Total annual contributions available					
1120	Unit months available	-				-
1121	Number of unit months leased	-				-

Equity Roll Forward Test					Sum of A:
Calculation from R/E Statement	(132,189)	(5,995)	67,090	(1,517)	
B/S Line 513	1,600,009	504	504	64,305	Sum of B:

COLDWATER HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2005

The prior audit of the Coldwater Housing Commission for the period ended March 31, 2004, did not contained any audit findings or questioned cost.

COLDWATER HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2005

I have audited the financial statements of Coldwater Housing Commission as of and for the year ended March 31, 2005, and have issued my report dated June 24, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Coldwater Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. However, the results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: 05-1 and 05-2.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Coldwater Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Coldwater Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

June 24, 2005

COLDWATER HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Fund Project		X
Housing Choice Vouchers		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted X Yes _____ No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Program	No	None	05-1
Housing Choice Voucher Program	No	None	05-2

COLDWATER HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
March 31, 2005

The following finding of the Coldwater Housing Commission, for the year ended March 31, 2005, were discussed with the Executive Director, Ms. Cathy Gordon, in an exit interview conducted June 24, 2005.

Finding 05-1: Tenant Accounting Discrepancies- Low Rent Program

A review of 6 tenant files revealed the following discrepancies:

3 lacked rent choice forms; 1 used the incorrect social security income.

Recommendation

HUD requires the above verifications and documentation in tenant files; non compliance with the above requirements could result in miscalculated rents.

I would recommend the Commission review the recertification process and implement a monitoring program to insure compliance with HUD requirements.

Reply

The tenant files identified during the audit have been examined, the missing "rent choice forms" are now included; and, social security income has been verified and corrections made where applicable. To ensure compliance with HUD requirements of income verification and documentation in tenant files, Low Rent Program (Englewood tenant files will be reviewed annually during the recertification process).

Finding 05-2: Tenant Accounting Discrepancies- Housing Choice Vouchers

The five files tested revealed five different discrepancies:

One file had not been re-examined for 18 months, and used the wrong payment standard; one file used the incorrect utility allowance; one file lacked a citizenship form; one file used an incorrect income in the rent calculation.

Recommendation

HUD requires the above verifications and computations; non compliance with the above requirements could result in miscalculated rents.

I would recommend the Commission review the recertification process and implement a monitoring program to insure compliance with HUD requirements.

Reply

Review of the tenant file not re-examined within 18 months revealed the discrepancy was due to a housing software glitch that occurred when the tenant transferred from one unit to another. The tenant was recertified, adjustment made in total tenant payment, and tenant received refund for overpayment of rent during this period.

Noted errors in utility allowance, payment standards, rent calculation and missing forms in tenant files were reviewed and corrections made where applicable. To ensure compliance with HUD requirements of income verification and documentation in tenant files, housing software will be evaluated; and, staff will spot check a number of Section 8 HCV tenant files every quarter to ensure accuracy.